YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2022

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(A SAUDI JOINT STOCK COMPANY)

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Independent auditor's report to the shareholders of Yanbu National Petrochemical Company (YANSAB)

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Yanbu National Petrochemical Company (YANSAB) (the "Company") as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key audit matter	Employee benefits

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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Independent auditor's report to the shareholders of Yanbu National Petrochemical Company (YANSAB) (continued)

Our audit approach (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Employee benefits As at 31 December 2022, the Company has employee benefit liabilities amounting to Saudi Riyals 955.9 million, which comprises end of service benefits, post-retirement medical benefits, long-term service awards and savings plan. These benefits plans have different accounting requirements. The management involves an actuarial valuation expert to estimate the present value of the defined benefits obligation with respect to end of service benefits, post-retirement medical benefits and long-term service awards. Such actuarial valuation is based on various significant assumptions, including an assessment of the discount rate, salary increase rate and inflation rate. We considered this as a key audit matter due to the different accounting requirements for the plans and the assumptions involved in estimating the present value of the defined benefits obligation. Refer to Note 4.11 to the financial statements for the related accounting policy, Note 3.2.2 for the significant accounting estimates and assumptions and Note 17 which details the disclosure of employee benefits.	Our audit procedures included the following: • Evaluated the competence, capability and objectivity of the expert used by management for the actuarial valuation. • Involved our internal expert to assess; the appropriateness of the methodology and assumptions used and the computation of the actuarial valuation performed by the Company's expert. • Assessed the accuracy and completeness of the underlying data provided to the Company's expert for the actuarial valuation. • Evaluated the appropriateness of the accounting policies for the plans under the requirements of IAS 19 'Employee Benefits' and classification of certain cash balances and the related employee savings plan liability. • Assessed the adequacy and appropriateness of the related disclosures in the accompanying financial statements.

Independent auditor's report to the shareholders of Yanbu National Petrochemical Company (YANSAB) (continued)

Other information

The directors are responsible for the other information. The other information comprises the Board of Directors' report but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report to the shareholders of Yanbu National Petrochemical Company (YANSAB) (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

9 February 2023

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STATEMENT OF FINANCIAL POSITION

(All amounts in Saudi Riyals ‘000 unless otherwise stated)

	Note	***As at 31 December 2022***	*As at 31 December 2021**
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	**9,230,224**	10,128,188
Right-of-use assets	8	**141,203**	143,137
Intangible assets	9	**32,240**	22,047
Other assets and receivables	10	**317,114**	200,933
TOTAL NON-CURRENT ASSETS		**9,720,781**	10,494,305
CURRENT ASSETS			
Inventories	11	**860,252**	1,108,706
Trade receivables	12	**2,015,662**	2,349,622
Other assets and receivables	10	**412,106**	360,476
Short-term investments	13	**3,438,300**	3,518,450
Cash and cash equivalents	14, 38	**232,490**	329,351
TOTAL CURRENT ASSETS	38	**6,958,810**	7,666,605
TOTAL ASSETS	38	**16,679,591**	18,160,910
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	**5,625,000**	5,625,000
Statutory reserve	16	**1,687,500**	1,687,500
Actuarial reserve	17	**198,904**	(82,913)
Retained earnings		**6,539,449**	7,812,804
TOTAL EQUITY		**14,050,853**	15,042,391
NON-CURRENT LIABILITIES			
Lease liabilities	8	**134,757**	124,243
Employee benefits	17, 38	**844,973**	1,108,251
TOTAL NON-CURRENT LIABILITIES	38	**979,730**	1,232,494
CURRENT LIABILITIES			
Lease liabilities – current portion	8	**13,077**	22,004
Employee benefits – current portion	17, 38	**110,906**	100,646
Trade payables	18	**593,047**	205,350
Accruals and other current liabilities	19	**744,099**	1,354,317
Zakat payable	25	**187,879**	203,708
TOTAL CURRENT LIABILITIES		**1,649,008**	1,886,025
TOTAL LIABILITIES	38	**2,628,738**	3,118,519
TOTAL EQUITY AND LIABILITIES	38	**16,679,591**	18,160,910

**In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.*

The attached notes from 1 to 39 form an integral part of these financial statements.

STATEMENT OF INCOME

For the year ended 31 December 2022

(All amounts in Saudi Riyals '000 unless otherwise stated)

	Note	***2022***	*2021**
Revenue	20, 27 & 38	**7,024,050**	7,499,273
Cost of revenue	21	**(6,053,628)**	(5,253,405)
GROSS PROFIT	38	**970,422**	2,245,868
Selling and distribution expenses		**(105,467)**	(107,625)
General and administrative expenses	22	**(422,509)**	(395,804)
Other operating income (expenses), net	24, 38	**72,320**	(7,984)
INCOME FROM OPERATIONS		**514,766**	1,734,455
Finance income	23	**79,960**	22,997
Finance costs	23	**(39,334)**	(28,751)
INCOME BEFORE ZAKAT		**555,392**	1,728,701
Zakat	25	**(141,247)**	(197,402)
NET INCOME FOR THE YEAR		**414,145**	1,531,299
Earnings per share (EPS)			
Basic and diluted earnings per share attributable to ordinary equity holders of the Company (Saudi Riyals)	26	**0.74**	2.72

**In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.*

The attached notes from 1 to 39 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Note	***2022***	*2021*
Net income for the year		**414,145**	1,531,299
Other comprehensive income			
Items not to be reclassified to statement of income in subsequent periods:			
Re-measurement gain on defined benefit obligation	17	**281,817**	72,510
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**695,962**	1,603,809

The attached notes from 1 to 39 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(All amounts in Saudi Riyals '000 unless otherwise stated)

	Note	***Share capital***	***Statutory reserve***	***Actuarial reserve***	***Retained earnings***	***Total equity***
Balance as at 1 January 2021		5,625,000	1,687,500	(155,423)	7,828,380	14,985,457
Net income for the year		-	-	-	1,531,299	1,531,299
Other comprehensive income for the year		-	-	72,510	-	72,510
Total comprehensive income for the year		-	-	72,510	1,531,299	1,603,809
Dividend	34	-	-	-	(1,546,875)	(1,546,875)
Balance as at 31 December 2021		5,625,000	1,687,500	(82,913)	7,812,804	15,042,391
Net income for the year		**-**	**-**	-	**414,145**	**414,145**
Other comprehensive income for the year		**-**	**-**	**281,817**	**-**	**281,817**
Total comprehensive income for the year		**-**	**-**	**281,817**	**414,145**	**695,962**
Dividend	34	**-**	**-**	**-**	**(1,687,500)**	**(1,687,500)**
Balance as at 31 December 2022		**5,625,000**	**1,687,500**	**198,904**	**6,539,449**	**14,050,853**

The attached notes from 1 to 39 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(All amounts in Saudi Riyals '000 unless otherwise stated)

	Note	***2022***	*2021**
OPERATING ACTIVITIES			
Income before zakat		**555,392**	1,728,701
Adjustment to reconcile income before zakat to net cash inflow from operating activities:			
Depreciation of property, plant and equipment and right-of-use assets	7, 8	**1,156,945**	1,259,194
Amortisation of intangible assets	9	**4,447**	12,596
Reversal of impairment on property, plant and equipment	7	**(11,055)**	-
Impairment of property, plant and equipment	7	**-**	111,889
Provision for employee benefits	17, 38	**96,897**	106,601
Loss on disposal of property, plant and equipment	24	**10,964**	633
Provision for slow moving and obsolete inventories		**-**	8,698
Gain on termination of lease liabilities		**(1,887)**	-
Insurance claim income	24	**(69,375)**	(75,000)
Finance costs	23	**39,334**	28,751
Finance income	23	**(79,960)**	(22,997)
		1,701,702	3,159,066
Changes in working capital:			
Decrease / (increase) in inventories		**248,454**	(308,992)
Decrease / (increase) in trade receivables		**333,960**	(556,931)
Decrease in other assets and receivables		**78,768**	136,110
Increase / (decrease) in trade payables		**387,697**	(384,311)
(Decrease) / increase in accruals and other current liabilities		**(692,158)**	757,849
Cash flows from operations		**2,058,423**	2,802,791
Finance costs paid		**(10,549)**	(7,974)
Employee benefits paid	17, 38	**(18,069)**	(25,034)
Zakat paid	25	**(157,076)**	(130,155)
Net cash from operating activities	38	**1,872,729**	2,639,628
INVESTING ACTIVITIES			
Short-term investments made		**(5,397,500)**	(5,170,742)
Proceeds from maturity of short-term investments		**5,477,650**	4,667,492
Purchase of property, plant and equipment	7	**(427,984)**	(394,730)
Purchase of intangible assets	9	**(14,640)**	(8,467)
Insurance claim income received	24	**53,719**	75,000
Finance income received		**47,281**	23,036
Proceeds from disposal of property, plant and equipment		**207**	771
Net cash used in investing activities		**(261,267)**	(807,640)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	8	**(23,949)**	(23,584)
Dividends paid		**(1,684,374)**	(1,544,380)
Net cash used in financing activities		**(1,708,323)**	(1,567,964)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	38	**(96,861)**	264,024
Cash and cash equivalents at the beginning of the year	14, 38	**329,351**	65,327
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14, 38	**232,490**	329,351
SUPPLEMENTARY NON-CASH INFORMATION			
Right-of-use assets and recognised against lease liabilities	8	**27,901**	29,860
Employee benefits liability transferred (from) to the Company	17	**(78,814)**	245,702
Transfer from property, plant and equipment to other assets and receivables	7	**198,244**	-

**In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.*

The attached notes from 1 to 39 form an integral part of these financial statements.

1 COMPANY INFORMATION

Yanbu National Petrochemical Company (YANSAB) (the “Company”) is a Saudi Joint Stock Company registered in Yanbu, Kingdom of Saudi Arabia under Commercial Registration number 4700009432 dated 14 Muharram 1427H (corresponding to 13 February 2006) in accordance with the Ministerial Resolution number 49 dated 12 Muharram 1427H (corresponding to 11 February 2006) for the incorporation of the Company. The Company obtained its Industrial License number S/1367 on 18 Rajab 1426H (corresponding to 23 August 2005) and is engaged in the manufacturing of petrochemical products in accordance with the Company’s By-laws and other Saudi Arabian applicable regulations. The Company commenced commercial operations on 1 March 2010. The registered office is located at Yanbu, P.O. Box 31396, Yanbu Industrial City 41912.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to “IFRSs endorsed in KSA”).

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention except as explained in the relevant accounting policies below.

2.3 Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR), which is also the functional currency of the Company. All figures are rounded off to nearest thousands (SR ‘000), except when otherwise indicated.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions at the reporting date that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustments in the future to the carrying amount of the asset or liability affected.

The estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the changed estimates affect both current and future periods.

Other disclosures relating to the Company’s exposure to risks and uncertainties includes:

- Sensitivity analyses disclosures (Notes 17 and 28)
- Financial instruments risk management (Note 28)
- Capital management (Note 29)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

3.1.1 Revenue from contracts with customers - Principal versus agent considerations

The Company has entered into a tolling arrangement with a related party where feedstock or other semi-finished inventory (work-in-progress) owned by related party is provided for further processing to the Company. Under this arrangement, the Company receives feedstock from the related party and after processing the feedstock, these specified petrochemical products are provided to the customer, at the direction of the related party. The Company has determined that it is providing tolling services to the related party. The Company's consideration in these contracts is toll service charges only based on agreed formula as per the tolling agreement.

The Company applies judgement in assessing whether it has control over the feedstock, before processing and the specified petrochemical products, after processing. The Company determined that it does not control the goods and it does not have the ability to direct the use of the feedstock or obtain benefits from the feedstock. The following factors indicate that the Company does not control the goods:

- The Company is not primarily responsible for fulfilling the promise to provide the specified petrochemical products to the related party's customer.

- The Company does not have inventory risk relating to the feedstock, before processing, and the specified petrochemical products, after processing.

- The Company has no discretion in establishing the price for the specified petrochemical products to be transferred to the related party's customer.

- The Company produces the goods on the specifications agreed with the related party.

Therefore, the Company determined that it is acting as an agent in procuring the feedstock and transferring the specified petrochemical products, to the related party's customer, under this arrangement.

3.1.2 Component parts of property, plant and equipment

The Company's assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to mother asset, its pattern of consumption, and its replacement cycle/maintenance schedule.

3.1.3 Leases - extension and termination options – Company as lessee

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

3.1.4 Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis. The assessment of COVID-19 is disclosed in Note 35.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3.2.1 Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows.

3.2.2 Long-term assumptions for employee benefits

Post-employment defined benefits, end-of-service benefits and indemnity payment represent obligations that will be settled in the future and require assumptions to project obligations. The accounting requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Company consults with external actuary regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

3.2.3 Allowance for inventory losses

The Company recognizes an allowance for inventory losses due to factors such as slow movement, dormancy, obsolescence, physical damage, etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the manufacturer, past trends and both existing and emerging market conditions.

3.2.4 Useful lives of property, plant and equipment/intangible asset

The Company's management determines the estimated useful lives of its property, plant and equipment/intangible asset for calculating depreciation/amortisation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation/amortisation charges are adjusted where the management believes the useful lives differ from previous estimates.

3.2.5 Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Company’s functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except for the adoption of new interpretations and amendments as mentioned in Note 5 for the preparation of these financial statements.

4.1 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

4.2 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting year; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting year; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria is met. Where such assets are constructed in-house, their costs include all amounts necessary to bring the asset to the present condition and location to be ready for intended use by management and exclude all other costs not directly attributable to, such as general and administrative expenses and training costs. Any feasibility study costs are expensed as incurred unless they relate to specifically identifiable asset being constructed in-house and are directly attributable to it.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Company recognise such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection (turnaround/shutdown, planned or unplanned) is performed, its directly attributable cost is recognised in the carrying amount of the plant and equipment if the recognition criteria are satisfied. This is recorded as a separate component with a useful life generally equal to the time period up to the next scheduled major inspection (turnaround). If the next turnaround occurs prior to the planned date, any existing book value of the previous turnaround is expensed immediately. All other repair and maintenance costs are recognised in the statement of income as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The Company periodically assesses the expectation and estimation for the decommissioning liability.

Depreciation is calculated from the date the items of property, plant and equipment are available for its intended use or in respect of self-constructed assets, from the date such assets ready for the intended use. Catalysts are treated as capital spares and are depreciated as and when put into use.

(All amounts in Saudi Riyals '000 unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Buildings and leasehold improvements	13 - 40 years
Plant, machinery and heavy equipment	4 - 50 years
Furniture	3 - 10 years
Vehicles	3 - 10 years
Computers	3 - 10 years
Laboratory and safety equipment	4 - 50 years
Catalysts and precious metal	1.5 - 20 years

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year end.

Assets under construction, which are not ready for its intended use, are not depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

4.4 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold land 30 to 50 years;
- Housing 5 to 11 years;
- Motor vehicles 5 years; and
- Pipeline 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Leases (continued)

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The unwinding component of finance cost is included in the statement of income.

Extension and termination options
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

4.5 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in statement of income in the expense category consistent with the function of the intangible asset.

The amortization period for intangible assets with a finite useful life is as follows:
Software and others 3 - 15 years

The useful life of an intangible asset with a definite life is reviewed regularly to determine whether there is any indication that its current life assessment continues to be supportable. If not, the change in useful life assessment is made on a prospective basis. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the aggregated CGU level.

Gains or losses arising from derecognizing an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of income when the asset is derecognised.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Intangible assets (continued)

Software

Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

4.6 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets, excluding goodwill, with indefinite useful lives are tested at each reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Financial assets are subsequently measured at amortised cost, or fair value through other comprehensive income (OCI) or fair value through income statement (FVIS).

Classification of financial assets depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through income statement, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Revenue contracts provide for provisional pricing at the time of shipment with the final pricing based on an average market price for a particular future period. Such trade receivables are measured at fair value because the contractual cash flows are not solely payments of principal and interest. Other trade receivables meet the criteria for amortized cost measurement under IFRS 9.

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through income statement are recognised in the statement of income. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through income statement.

Financial assets at amortised cost (debt instruments)
This category is relevant to the Company. Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in income statement when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes cash and cash equivalents, short-term investments and trade and other receivables, other than those subsequently measured at FVIS.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to statement of income.

Currently, the Company does not have any financial asset at fair value through OCI.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments (continued)

i) Financial assets (continued)

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 'Financial Instruments: Presentation' and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of income. Dividends are recognised as other operating income in the statement of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Currently, the Company does not have any financial asset designated at fair value through OCI.

Financial assets at fair value through income statement
Financial assets at fair value through income statement are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of income.

Trade receivables related to contracts with provisional pricing arrangements are subsequently measured at FVIS.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  (a) the Company has transferred substantially all the risks and rewards of the asset, or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through income statement.

Management assesses on a forward-looking basis the ECL associated with its debt instruments as part of its financial assets, which are carried at amortised cost and FVOCI.

The ECL is based on a 12-month ECL or a lifetime ECL. The 12-month ECL results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since initial recognition, the allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (the lifetime ECL).

For trade receivables, other than those subsequently measured at FVIS, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments (continued)

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through income statement, borrowings, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of borrowings, net of directly attributable transaction costs. The Company's financial liabilities include trade payable, lease liabilities and other liabilities.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through income statement; and
- Financial liabilities at amortised cost (lease liabilities and trade and other payables).

Financial liabilities at fair value through income statement
Financial liabilities at fair value through income statement include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through income statement. Financial liabilities are classified as held for trading if these are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of income. Financial liabilities designated upon initial recognition at fair value through income statement are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability at fair value through income statement.

Financial liabilities at amortised cost (lease liabilities and trade and other payables)
This category is relevant to the Company. After initial recognition, lease liabilities and trade and other payables are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses as a result of unwinding of interest cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the statement of income.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of income.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of income.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.8 Inventories

Inventories, including raw materials, work in progress, finished goods and consumables (spares) are valued at the lower of cost i.e. historical purchase prices based on the weighted average principle plus directly attributable costs (primarily duty and transportation), and the net realisable value.

Inventories of work in progress and finished goods include cost of materials, labor and an appropriate proportion of variable and fixed direct overheads.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Inventories (continued)

Abnormal inventory losses due to quality or other issues and overheads incurred during unplanned maintenance / shut down period are excluded from inventory cost. The allocation of overheads at year end for the purpose of inventory valuation are based on the higher of normal capacity or actual production for the year. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to complete a sale.

Scrap inventory, co-product and by-product
Production process in the Company sometimes results in production of co-product simultaneously, or may result in some by-products or scraps (either non-usable or recyclable). When the costs of conversion of such co/by-product and/or scrap are not separately identifiable from the main product cost, these are allocated on a rational and consistent basis to such products and co/by-product and scrap. The allocation is based on the relative sales value of each product either at the stage in the production process when the products become separately identifiable, or at the completion of production.

Where by-products and scrap are immaterial and where costs cannot be allocated to them or it is inefficient to do so, these items are measured under inventory at net realisable value and this value is deducted from the cost of the main product. As a result, the carrying amount of the main product inventory is not materially different from its cost.

In the statement of income, the net realisable value for the by-products and scrap reduces the cost of revenue for the year. Upon subsequent sale of such by-product, the proceeds are recorded as revenue with a corresponding cost of revenue being recorded based on earlier recorded net realisable value, while for scrap, the proceeds, net of cost is recorded as other income.

Consumable spare parts
Consumables are ancillary materials which are consumed in the production of semi-finished and finished products. Consumables may include engineering materials, one-time packaging materials and certain catalysts.

Spare parts are the interchangeable parts of plant and equipment which are considered to be essential to support routine maintenance, repair and overhaul of plant and equipment or to be used in emergency situations for repairs. The Company maintains the following different types of spare parts:

- Stand-by equipment items acquired together with the plant/production line or purchased subsequently but related to a particular plant or production line and will rarely be required are critical to plant operation and must be available at stand-by at all times. These are capitalised as part of property, plant and equipment and depreciated from purchase date over a period which is shorter of the component’s useful life or the remaining useful life of the plant in which it is to be utilised. These do not form part of inventory provided capitalization criteria under property, plant and equipment is met.

- Repairable items that are plant/production line specific with long lead times and will be replaced and refurbished frequently (mostly during turnarounds). These are capitalised as part of property, plant and equipment where the capitalization criteria are met. Depreciation is started from day of installation of these items in the plant, and the depreciation period is the shorter of the useful life of the component and the remaining useful life of the plant and equipment in which it is installed. These do not form part of inventory.

General capital spares and other consumables items which are not of a critical nature and are of a general nature, i.e., not plant specific and can be used in multiple plants or production lines and any other items which may be required at any time for facilitating plant operations. They are generally classified as ‘consumables and spare parts’ under inventory, unless they exceed the threshold and have a useful life of more than one year, under which case they are recorded under property, plant and equipment. Items recorded under inventory are subject to assessment for obsolescence provision and are charged to the statement of income upon their installation or use. Where such items meet criteria for capitalization, their depreciation method is similar to repairable items as noted above.

Inventory swaps
The Company has various types of inventory swap transactions, which are qualified as either location or time swaps.

Location swap
Where the inventory swap transactions represent exchange of similar items within a limited short period of time, these transactions do not generally carry commercial substance. Revenue can only be recognised for exchange of goods if they are dissimilar in nature or the exchange results in a significant change in the configuration of cash flows of the transferor. Where this is not the case, these transactions are recorded as stock transfers at cost and the corresponding effect is recorded as receivables and payables.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Inventories (continued)

Time swaps

Where the swaps are for longer period of time during which prices fluctuate significantly, or where swaps include sending finished goods to third party customers (of any company), these generally indicate commercial substance and are recorded as sales and purchase based on agreed transfer pricing.

4.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.10 Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where management of the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost meeting its obligation under the contract.

De-commissioning liability

The Company records a provision for de-commissioning costs of manufacturing facilities when an obligation exists. De-commissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the de-commissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of income as a finance cost. The estimated future cost of de-commissioning is reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

4.11 Employee benefits

Short-term obligations

Liabilities for wages and salaries including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in statement of financial position.

Long-term employee benefit obligations

Long-term employee benefit obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method and recorded as non-current liabilities. Consideration is given to expected future salary increase and historic attrition rates. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate or government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of changes in actuarial assumptions are recognised in the other comprehensive income. The Company offers various post-employment schemes, including both defined contribution and defined benefit plans, and post-employment medical plans for eligible employees and their dependents.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Employee benefits (continued)

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay amounts. The contributions are recognised as employee benefit expense when these are due.

Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company primarily has end of service benefits, post-retirement medical benefits, long-term service awards and employee savings plan which qualify as defined benefit plans.

End of services benefits
For the liability for employees' end of service benefits, the actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour and Workmen Law as well as the Company's policy.

The net pension asset or liability recognised in the statement of financial position in respect of defined benefit post-employment plans is the present value of the projected Defined Benefits Obligation ("DBO") less the fair value of plan assets, if any, at the reporting date.

DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. If there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost are calculated by applying the discount rate to the net balance of the DBO and the fair value of plan assets.

Service costs are calculated, using the actuarially determined pension cost rate at the end of the prior year, adjusted for significant market fluctuations and for any significant one-off events, such as plan amendments, curtailments and settlements. In the absence of such significant market fluctuations and one-off events, the actuarial liabilities are rolled forward based on the assumptions as at the beginning of the year. If there are significant changes to the assumptions or arrangements during the year, consideration is given to re-measure such liabilities and the related costs.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognised in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognised immediately in the statement of income as past service costs.

When the benefit plans are amended, the portion of the change in benefit relating to the past service by employees is recognised as an expense or income; if applicable, on a straight-line basis over the average period until the benefits become vested in the statement of income. To the extent that benefits vest immediately, the expense or income, if applicable is recognised immediately in the statement of income.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of income while unwinding of the liability at discount rates used are recorded as financial cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

Post-retirement medical benefits
The Company provides post-retirement healthcare and life insurance benefits to their eligible retirees and their dependents. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the year in which they arise. These obligations are valued annually by independent qualified actuary.

Employee savings plan
The Company operates a saving plan to encourage its Saudi employees to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Company's normal operating bank accounts.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Employee benefits (continued)

Employee Home Ownership Program (HOP)
The Company has established HOP that offer eligible employees the opportunity to buy residential units constructed through a series of payments over a particular number of years. Ownership of the houses is transferred upon completion of full payment.

Under the HOP, the amounts paid by the employee towards the house are repayable back to the employee in case the employee discontinues employment and the house is returned to the Company. HOP is recognised as a non-current prepayment asset at time the residential units are allocated to the employees and are amortised over the repayment period of the facility due from employees.

Employee Home Loan Program (HLP)
The Company provides interest free home loan to its eligible employees for one time only during the period of the service for purposes related to purchase or building of a house or apartment. The loan is repaid on monthly instalment by deduction of employee’s housing allowances.

HLP is initially recognised as a non-current financial asset at fair value and measured at amortised cost using the EIR method. The difference between the fair value and the actual amount of cash given to the employee is recognised as a “non-current prepaid employee benefits” and is amortised as an expense equally over the period of service. The same amount is also amortised as interest income against the receivable from employees.

Executive vehicles
The Company grants eligible employees a company owned vehicle up to a specific value. The benefit is provided to employees against their services for a fixed period of years. The employee also has an option to opt for a higher value vehicle and the difference in value is contributed by the employee. The vehicle shall remain the property of the Company. The Company’s Human Resource policy governs the arrangement with the employee and may define conditions under which such vehicle can be transferred to employee.

4.12 Earnings per share

Basic earnings per share is calculated by dividing:
- the income attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4.13 Zakat and taxes

Zakat
The Company is subject to Zakat in accordance with the Regulations of the Zakat, Tax and Customs Authority (“ZATCA”) in KSA. The zakat provision is charged to the statement of income.

Withholding tax
Withholding tax related to dividends, royalties, interest and service fees are recorded as liabilities.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Zakat and taxes (continued)

Value Added Tax ("VAT")

Assets and expenses are recognised net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, ZATCA is included as part of other receivables or other payables.

Uncertain zakat positions

Uncertain positions relate to risk or uncertainty over complex zakat treatments. Such uncertain zakat positions are measured using the single most likely amount or the expected value method, depending on which method is expected to better predict the resolution of the uncertainty

4.14 Cash dividend and non-cash distribution to equity holders

The Company recognises a liability to make cash distribution to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. Distribution authorization is assessed in line with the Companies Law in KSA, of which a distribution is authorised when approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividend, if any, are recorded when approved by the Board of Directors.

Non-cash distributions, if any, shall be measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of income.

4.15 Short-term investments

Short-term investments include placements in murabaha deposits with banks and other short term highly liquid investments, with original maturities of more than three months but not more than one year from the date of acquisition. Short-term murabaha deposits are placed with financial institutions with investment grade rating, which are considered to have low credit risk, hence a provision, if material, is recognized at an amount equal to twelve months' expected credit loss, unless there is evidence of significant increase in credit risk of the counter party. They carry profit at prevailing market rates and are measured at amortized cost.

4.16 Revenue Recognition

Sales revenue

The Company recognises revenue when control of the products sold, transfers to the customer, which shall be considered in the context of a five-step approach and applying the applicable shipping terms. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue arrangements are assessed against specific criteria to determine whether the Company is acting as a principal or agent.

Provisional pricing

Revenue contracts with customers provide for provisional pricing at the time of shipment, with final pricing based on the average market price for a particular future period. Revenue on these contracts is recorded based on the estimate of the final price at the time control is transferred to the customer. Any difference between the estimate and the final price is recorded as a change in fair value of the related receivable, as part of revenue, in the statement of income.

Tolling arrangements

The Company provides tolling service as a principal and transfers goods on behalf of the tollee as an agent. The performance obligation for the Company is to provide these tolling services. Performance obligation is satisfied over time, because the customer receives and consumes the benefit of the service simultaneously and the Company's performance enhances an asset that the customer controls as the asset is enhanced. Revenue from tolling services is recognized upon satisfaction of the performance obligations which occurs in the accounting period in which the services are rendered. The Company's consideration in these toll manufacturing contracts is toll service charges only based on agreed formula as per the tolling agreement and recognized as 'Revenue' in statement of income.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Finance income

For all financial instruments measured at amortised cost, interest income is recorded using the EIR method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Finance income is included in the statement of income. Earnings on time deposits are recognised on an accrual basis.

4.18 Finance cost

Finance cost is recognised for the interest due to the lender of all financial liabilities measured at amortised cost, using the EIR. EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability. These include bonds, conventional notes, Murabaha, etc. Additionally, the finance cost also includes time value of money for all the lease liabilities recognised. Finance cost is also recognised due to passage of time whenever a provision or liability has been discounted to its present value.

4.19 Costs and expenses

Cost of revenue

Production costs and direct manufacturing expenses are classified as cost of revenue. This includes raw material, direct labor and other attributable overhead costs.

Selling and distribution expenses

These include any costs incurred to carry out or facilitate selling activities of the Company. These costs typically include salaries of the sales staff, marketing and distribution and logistics expenses as well as sale commissions and such fees. These also include allocations of certain general overheads.

General and administrative expenses

These pertain to operation expenses which are not directly related to the production of any goods or services. These also include allocations of general overheads which are not specifically attributed to cost of revenue or selling and distribution expenses.

Allocation of overheads among cost of revenue, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis.

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Company applied for the first-time certain amendments, which are effective for annual periods beginning on or after 1 January 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective, except for the amendment to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use'.

5. 1 Reference to the Conceptual Framework – Amendments to IFRS 3

Amendments to IFRS 3 'Business Combinations' are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting without significantly changing its requirements.

The amendment includes an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 'Levies', if incurred separately. In addition, it clarifies existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The Company applied the amendment prospectively effective 1 January 2022. This amendment has no material impact on these financial statements of the Company.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

5.2 IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment to IFRS 9 'Financial Instruments' clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment has no material impact on these financial statements of the Company.

5.3 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The IASB has issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Company has applied the amendment in the current reporting period and this amendment has no material impact on these financial statements of the Company.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the reporting date of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

6.1 Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2021, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments did not have a material impact on the Company as at the date of these financial statements.

6.2 Definition of Accounting Estimates - Amendments to IAS 8

The IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

6.3 Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

On 7 May 2021, the IASB issued 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12'. The amendments apply to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The amendment narrows the scope of the initial recognition exception under IAS 12 Income Taxes, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. The amendments are not applicable as Company has not applied the initial recognition exception to such transactions or events.

(All amounts in Saudi Riyals '000 unless otherwise stated)

7 PROPERTY, PLANT AND EQUIPMENT

	31 December 2022								
	Buildings & leasehold improvements	*Plant, machinery & heavy equipment*	*Furniture*	*Vehicles*	*Computers*	*Laboratory & safety equipment*	*Catalyst & precious metals*	*Capital work in progress*	***Total***
Cost:									
At the beginning of the year	**229,686**	**21,244,513**	**23,814**	**31,922**	**109,967**	**50,040**	**245,633**	**772,910**	**22,708,485**
Additions	**-**	**34,130**	**13**		**-**	**-**	**2,467**	**391,374**	**427,984**
Transfers (Note (d))	**-**	**107,274**	**-**	**1,116**	**-**	**-**	**-**	**(306,634)**	**(198,244)**
Disposals	**(1,000)**	**(110,206)**	**-**	**(779)**	**-**	**-**	**-**	**(92)**	**(112,077)**
At the end of the year	**228,686**	**21,275,711**	**23,827**	**32,259**	**109,967**	**50,040**	**248,100**	**857,558**	**22,826,148**
Depreciation and impairment:									
At the beginning of the year	**91,575**	**11,998,999**	**17,709**	**30,879**	**104,401**	**48,839**	**153,003**	**134,892**	**12,580,297**
Charge for the year	**9,826**	**1,064,936**	**1,305**	**633**	**2,814**	**142**	**47,932**	**-**	**1,127,588**
Reversal of impairment (Note 24)	**-**	**(11,055)**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,055)**
Disposals	**(491)**	**(99,636)**	**-**	**(779)**	**-**	**-**	**-**	**-**	**(100,906)**
At the end of the year	**100,910**	**12,953,244**	**19,014**	**30,733**	**107,215**	**48,981**	**200,935**	**134,892**	**13,595,924**
Net book amount:									
At 31 December 2022	**127,776**	**8,322,467**	**4,813**	**1,526**	**2,752**	**1,059**	**47,165**	**722,666**	**9,230,224**

(All amounts in Saudi Riyals '000 unless otherwise stated)

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	31 December 2021								
	Buildings & leasehold improvements	*Plant, machinery & heavy equipment*	*Furniture*	*Vehicles*	*Computers*	*Laboratory & safety equipment*	*Catalyst & precious metals*	*Capital work in progress*	***Total***
Cost:									
At the beginning of the year	210,004	20,935,885	18,679	31,922	106,756	48,624	160,697	890,660	22,403,227
Additions	4,368	177,114	779	-	3	512	9,181	202,773	394,730
Transfers	15,314	220,371	4,356	-	3,208	904	75,755	(319,908)	-
Disposals	-	(88,857)	-	-	-	-	-	(615)	(89,472)
At the end of the year	229,686	21,244,513	23,814	31,922	109,967	50,040	245,633	772,910	22,708,485
Depreciation and impairment:									
At the beginning of the year	81,428	10,866,551	13,444	30,320	98,708	48,624	114,262	71,392	11,324,729
Charge for the year	10,147	1,172,127	4,265	559	5,693	215	38,741	-	1,231,747
Impairment	-	48,389	-	-	-	-	-	63,500	111,889
Disposals	-	(88,068)	-	-	-	-	-	-	(88,068)
At the end of the year	91,575	11,998,999	17,709	30,879	104,401	48,839	153,003	134,892	12,580,297
Net book amount:									
At 31 December 2021	138,111	9,245,514	6,105	1,043	5,566	1,201	92,630	638,018	10,128,188

(All amounts in Saudi Riyals '000 unless otherwise stated)

7 PROPERTY, PLANT AND EQUIPMENT (continued)

a) The plants are situated on land leased from the Royal Commission of Jubail and Yanbu.

b) Capital work in progress include ongoing projects such as Al Jar project (employees house ownership program) in addition to cost being incurred on existing plants regarding major overhauling.

c) Plant includes costs incurred to capture the planned turnaround cost. This cost will be depreciated over the period until the date of next planned turnaround. The net book value of such costs as at 31 December 2022 amounted to SR 5.5 million (2021: SR 43.7 million).

d) There was no specific indicators of impairment of property, plant and equipment during the year ended 31 December 2022. During 2021, due to the unplanned shutdown of the Company's plants as a result of a technical failure, the management had recorded impairment amounting to Saudi Riyals 48.4 million against the furnace coils, out of the total impairment amounting to Saudi Riyals 111.9 million. During 2022, management re-assessed and determined that a component of the furnace coils is still useable and, accordingly, reversed the relating impairment amounting to Saudi Riyals 11.1 million.

e) The transfer amounting to Saudi Riyals 198.2 million represents the construction cost of residential units, which were transferred to eligible employees under the Home Ownership Program as per the Company's policies.

f) Allocation of depreciation charge for the year:

	2022	*2021*
Cost of revenue	**1,113,680**	1,233,508
General and administrative expenses	**13,908**	61,739
	1,116,533	1,343,636

g) Allocation of (reversal of) impairment expense for the year:

	2022	*2021*
Cost of revenue	**-**	63,500
Other operating income (expenses), net (Note 24)	**(11,055)**	48,389
	(11,055)	111,889

8 LEASES

The Company has lease contracts for various parcels of land, housing units, motor vehicles and pipeline used in its operations but may have extension and termination option options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and leased assets may not be used as security for borrowing purposes.

Leases of land generally have lease terms between 30 and 50 years, housing units 5 to 11 years, motor vehicles 5 years and pipeline 5 years.

The Company also has certain leases of accommodation buildings with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(All amounts in Saudi Riyals '000 unless otherwise stated)

8 LEASES

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	31 December 2022				
	Leasehold lands	***Housing Units***	***Motor vehicles***	***Pipeline***	***Total***
Cost:					
As at 1 January 2022	**75,145**	**129,019**	**9,892**	**2,084**	**216,140**
Additions	**19,394**	**8,507**	**-**	**-**	**27,901**
Terminations	**-**	**(6,806)**	**(3,635)**	**-**	**(10,441)**
As at 31 December 2022	**94,539**	**130,720**	**6,257**	**2,084**	**233,600**
Depreciation:					
As at 1 January 2022	**21,281**	**42,264**	**7,548**	**1,910**	**73,003**
Depreciation expense	**13,359**	**14,309**	**1,552**	**137**	**29,357**
Terminations	**-**	**(6,328)**	**(3,635)**	**-**	**(9,963)**
As at 31 December 2022	**34,640**	**50,245**	**5,465**	**2,047**	**92,397**
Net book amount:					
At 31 December 2022	**59,899**	**80,475**	**792**	**37**	**141,203**

	31 December 2021				
	Leasehold lands	*Housing Units*	*Motor vehicles*	*Pipeline*	*Total*
Cost:					
As at 1 January 2021	52,105	128,324	10,244	2,084	192,757
Additions	29,165	695	-	-	29,860
Remeasurements	(6,125)	-	(352)	-	(6,477)
As at 31 December 2021	75,145	129,019	9,892	2,084	216,140
Depreciation:					
As at 1 January 2021	11,001	27,465	5,317	1,773	45,556
Depreciation expense	10,280	14,799	2,231	137	27,447
As at 31 December 2021	21,281	42,264	7,548	1,910	73,003
Net book amount:					
At 31 December 2021	53,864	86,755	2,344	174	143,137

Allocation of depreciation charge for the year:

	2022	*2021*
Cost of revenue	**10,227**	6,554
General and administrative expenses	**19,130**	20,893
	29,357	27,447

(All amounts in Saudi Riyals ‘000 unless otherwise stated)

8 LEASES (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022	*2021*
As at 1 January	**146,247**	146,448
Additions	**27,901**	29,860
Terminations	**(2,365)**	(6,477)
Accretion of interest (Note 23)	**10,880**	8,293
Payments	**(34,829)**	(31,877)
As at 31 December	**147,834**	146,247
Less: Current portion	**(13,077)**	(22,004)
Non-current portion	**134,757**	124,243

The maturity analysis of lease liabilities are disclosed in Note 28.

The following are the amounts recognised in statement of income:

	2022	*2021*
Depreciation expense of right-of-use assets	**29,357**	27,447
Interest expense on lease liabilities (Note 23)	**10,880**	8,293
Expense relating to leases of low-value assets (included in general and administrative expenses)	**4,348**	4,324
Total amount recognised in statement of income	**44,585**	40,064

During the year, the Company had total cash outflows for leases of SR 39.2 million (2021: SR 35.7 million).

9 INTANGIBLE ASSETS

	31 December 2022		
	Software and IT development	*Under development*	*Total*
Cost:			
At the beginning of the year	**48,630**	**9,586**	**58,216**
Additions	**3,469**	**11,171**	**14,640**
At the end of the year	**52,099**	**20,757**	**72,856**
Amortization:			
At the beginning of the year	**36,169**	**-**	**36,169**
Charge for the year	**4,447**	**-**	**4,447**
At the end of the year	**40,616**	**-**	**40,616**
Net book amount			
At 31 December 2022	**11,483**	**20,757**	**32,240**

(All amounts in Saudi Riyals '000 unless otherwise stated)

9 INTANGIBLE ASSETS (continued)

	31 December 2021		
	Software and IT development	*Under development*	*Total*
Cost:			
At the beginning of the year	30,019	19,730	49,749
Additions	3,896	4,571	8,467
Transfer	14,715	(14,715)	-
At the end of the year	48,630	9,586	58,216
Amortization:			
At the beginning of the year	23,573	-	23,573
Charge for the year	12,596	-	12,596
At the end of the year	36,169	-	36,169
Net book amounts			
At 31 December 2021	12,461	9,586	22,047

10 OTHER ASSETS AND RECEIVABLES

	2022	*2021*
Non-current:		
Home ownership prepayment (Note 7)	**231,479**	77,855
Employee advances	**50,271**	59,477
Due from a related party (Note 27)	**35,364**	63,601
	317,114	200,933
Current:		
Amounts due from related parties (Note 27)	**207,704**	199,399
Prepaid expenses	**73,619**	78,731
Finance income receivable	**42,634**	9,955
Value added tax (VAT) receivable from ZATCA	**40,600**	51,313
Employee advances and receivables	**29,035**	13,815
Insurance claim receivable	**17,531**	1,875
Other	**983**	5,388
	412,106	360,476

11 INVENTORIES

	2022	*2021*
Finished goods and work in progress	**395,670**	671,283
Spare parts	**292,429**	321,069
Raw materials	**140,577**	134,995
Goods in transit	**65,382**	41,714
	894,058	1,169,061
Less: Provision for slow moving and obsolete items	**(33,806)**	(60,355)
	860,252	1,108,706

(All amounts in Saudi Riyals '000 unless otherwise stated)

11 INVENTORIES (continued)

During 2022, SR 3,974.8 million (2021: SR 3,046.7 million) was recognised as an expense in the cost of revenue.

Movement in the provision for slow moving and obsolete inventories was as follows:

	2022	*2021*
Balance at 1 January	**60,355**	60,563
Charge for the year	**-**	8,698
Written off during the year	**(26,549)**	(8,906)
Balance at 31 December	**33,806**	60,355

12 TRADE RECEIVABLES

	2022	*2021*
Trade receivables	**2,015,662**	2,349,622

Trade receivables relating to contracts with provisional pricing arrangements are measured at fair value. These trade receivables are classified as level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including specific terms of the contract. For all trade receivables, the carrying amount as at December 31, 2022 and 2021 approximates their fair value due to their short-term nature.

The ageing analysis of trade receivables is as follows:

	Total	*Not yet due*	*≤ 30 days*	*31 - 60 days*	*61 - 90 days*	*91 - 120 days*	*> 120 days*
2022	**2,015,662**	**1,935,382**	**60,879**	**9,515**	**9,272**	**-**	**614**
2021	2,349,622	2,349,182	50	13	35	18	324

Trade receivables are non-interest bearing. See financial instruments risk management note (Note 28) on credit risk of trade receivables, which explains how the Company manages and measure credit quality of trade receivables.

13 SHORT TERM INVESTMENTS

Short-term investments represent Murabaha commodity placements with original maturity exceeding three months but less than one year and maintained with local and foreign banks. These placements yield finance income at commission rates ranging from 0.5% to 6.1% (2021: 0.8% to 1.41%).

14 CASH AND CASH EQUIVALENTS

	2022	*2021**
Short-term deposits	**140,300**	253,900
Bank balances (Note 38)	**92,190**	75,451
	232,490	329,351

**In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.*

Short-term deposits represent commodity placements with original maturity less than three months maintained with local banks. These placements yield finance income at commission rates ranging from 0.8% to 5.25% (2021: 0.8% to 1.41%).

At 31 December 2022, the Company has funds amounting to SR 62 million (2021: 52.9 million) (Note 38) that are held in separate bank accounts and are not used as part of normal business operations.

(All amounts in Saudi Riyals '000 unless otherwise stated)

15 SHARE CAPITAL

The Company's authorized, issued and fully paid share capital is SR 5,625 million which is divided into 562.5 million shares of SR 10 par value each. The Company is 51% owned by Saudi Basic Industries Corporation ("SABIC") (the "Parent Company") and 49% owned by others i.e. publicly traded.

16 STATUTORY RESERVE

In accordance with the Company's By-laws, the Company must set aside 10% of its annual net income as the statutory reserve until it reaches 30% of the share capital. This having been achieved, the Company resolved not to set aside further reserve.

17 EMPLOYEE BENEFITS

	2022	*2021**
Defined benefits obligation – Non-current (Note 17.1)		
End of service benefits	**776,343**	1,020,462
Post-retirement medical benefits	**63,406**	80,901
Long-term service awards	**5,224**	6,888
	844,973	1,108,251
Defined benefits obligation – Current (Note 17.2)		
Savings plan (Note 38)	**110,906**	100,646
	955,879	1,208,897

**In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.*

Defined benefits obligation
The Company's management monitors the risks of all defined benefit plans of the Company and issues guidelines regarding the governance and risk management. The defined benefit plans obligations are subject to demographic and legal risks.

End of service benefits
End of service benefits are mandatory for all KSA based employees under the Saudi Arabian labour law and the Company's employment policies. End of service benefit is based on employees' compensation and accumulated period of service and is payable upon termination, resignation or retirement. The defined benefit obligation in respect of employees' end of service benefits is calculated by estimating the future benefit payment that employees have earned in return for their service in the current and prior periods. This amount is then discounted using an appropriate discount rate to determine the present value of the Company's obligation. This is an unfunded plan. Re-measurements are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to statement of income in subsequent periods.

Long-term service awards
The Company offers a long-term service award depending on years of service. This is measured similarly to a defined benefit obligation, however, any re-measurement is recognised in the current year statement of income.

Savings plan
Saving plans are related to all Saudi employees and recorded in current liabilities.

(All amounts in Saudi Riyals '000 unless otherwise stated)

17 EMPLOYEE BENEFITS (continued)

17.1 Defined benefits obligation

The following table represents the movement of the defined benefits obligation as at 31 December:

	2022	*2021*
Defined benefits obligation at beginning of the year	**1,108,251**	856,354
Included in statement of income		
Current service cost	**80,763**	75,515
Interest cost on defined benefits obligation (Note 23)	**28,785**	20,811
	109,548	96,326
Included in other comprehensive income		
Actuarial gain on the obligation	**(281,817)**	(72,510)
Payments during the year	**(12,195)**	(17,621)
Transfers, net	**(78,814)**	245,702
Defined benefits obligation at the end of the year	**844,973**	1,108,251

Allocation of defined benefits obligation charge between cost of revenue and general and administrative expenses is as follows:

	2022	*2021*
Cost of revenue	**59,360**	59,584
General and administrative expenses	**21,403**	15,931
	80,763	75,515

Significant assumptions used in determining defined benefits obligation for the Company are shown below:

	2022	*2021*
Discount rate	**5.2%**	2.7%
Salary increase rate – Executives	**4.5%**	4.5%
Salary increase rate – Non-Executives	**6.0%**	6.0%
Medical inflation rate	**9% in 2023 decreasing to 5% for 2027+**	9% in 2022 decreasing to 5% for 2026+

A quantitative sensitivity analysis for significant assumptions on the defined benefits obligation as at 31 December:

	Increase/(decrease) in defined benefit obligation at 31 December	
	2022	*2021*
Discount rate:		
+25 BPS increase	**(24,303)**	(36,653)
-25 BPS decrease	**25,046**	38,352
Salary increase rate:		
+25 BPS increase	**22,150**	32,062
-25 BPS decrease	**(21,649)**	(33,315)
Medical inflation rate:		
+25 BPS increase	**2,740**	3,662
-25 BPS decrease	**(2,616)**	(3,848)

(All amounts in Saudi Riyals '000 unless otherwise stated)

17 EMPLOYEE BENEFITS (continued)

17.1 Defined benefits obligation (continued)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefits obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The weighted average duration of the defined benefits obligation is 13.89 years (2021: 13.32 years).

The following is the breakup of the actuarial (gain) / losses:

	2022	2021
Financial assumptions	**(294,886)**	(43,135)
Experience adjustment	**13,069**	(29,375)
	(281,817)	(72,510)

The following payments are expected to the defined benefit plans in future years:

	2022	*2021*
Within the next 12 months (next annual reporting period)	**33,758**	26,351
Between 1 and 2 years	**26,584**	31,917
Between 2 and 3 years	**38,531**	27,844
Between 3 and 4 years	**32,179**	41,058
Between 4 and 5 years	**46,720**	34,418
Next 5 years	**351,138**	334,745

Payments made to defined contribution plan amount to SR 8.79 million (2021: SR 9.74 million) and relates primarily to employee benefit savings' plan.

17.2 Employee savings plan

	2022	*2021*
Opening balance	**100,646**	76,973
Contribution for the year	**16,134**	31,086
Withdrawals during the year	**(5,874)**	(7,413)
Closing balance	**110,906**	100,646

18 TRADE PAYABLES

	2022	*2021*
Trade payables	**593,047**	205,350

Trade payables are non-interest bearing and are normally settled on 60-day terms. For explanations on the Company's liquidity risk management processes, refer to Note 28.

19 ACCRUALS AND OTHER CURRENT LIABILITIES

	2022	*2021*
Accrued liabilities	**229,786**	311,128
Goods and services received but not invoiced - amounts due to related parties (Note 27)	**493,354**	1,025,356
Dividend payable	**20,959**	17,833
	744,099	1,354,317

(All amounts in Saudi Riyals '000 unless otherwise stated)

20 REVENUE

	2022	*2021**
Sale of goods – point in time	**7,382,601**	7,134,822
Tolling service – over time (Note 38)	**6,414**	91,548
Total revenue from contracts with customer	**7,389,015**	7,226,370
Movement between provisional and final price	**(364,965)**	272,903
Total revenue	**7,024,050**	7,499,273

**In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.*

The Company does not expect to have any contracts where the period between the transfer of goods to the customer and payment by the customer exceeds one year, and accordingly, the transaction prices are not adjusted for the time value of money.

There were no material returns, refunds, or advances and, therefore, no contract balances for the year ended 31 December 2022 (31 December 2021: Nil).

There are no unfulfilled performance obligations as at 31 December 2022 and 2021.

21 COST OF REVENUE

	2022	*2021*
Raw materials and consumables	**3,974,756**	3,046,670
Depreciation and amortization	**1,124,019**	1,281,273
Employee related costs	**506,982**	522,195
Utilities	**285,119**	281,621
Other	**162,752**	121,646
	6,053,628	5,253,405

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2022	*2021*
Research and technology cost (Note 27)	**140,077**	148,154
Employee related costs	**109,564**	85,933
Shared services costs	**55,644**	60,820
Maintenance and service	**51,478**	22,756
Depreciation and amortization	**37,373**	61,739
Board of directors' remuneration (Note 27)	**1,400**	1,400
Other	**26,973**	15,002
	422,509	395,804

(All amounts in Saudi Riyals '000 unless otherwise stated)

23 FINANCE INCOME AND COSTS, NET

Finance income can be broken down as:

	2022	*2021*
Murabaha (including fixed term deposits)	**79,941**	22,985
Interest income	**19**	12
	79,960	22,997

Finance cost can be broken down as:

	2022	*2021*
Finance cost on defined benefits obligation (Note 17.1)	**28,785**	20,811
Finance cost on lease liabilities (Note 8)	**10,880**	8,293
Unwinding of finance cost	**(372)**	(387)
Other	**41**	34
	39,334	28,751

24 OTHER OPERATING INCOME (EXPENSES), NET

Other operating income can be broken down as:

	2022	*2021**
Insurance claim (Note a)	**69,375**	75,000
Reversal of impairment (Note 7)	**11,055**	-
Foreign exchange gain	**8,193**	2,051
Other	**4,035**	-
	92,658	77,051

**In respect of 2021 comparative year, refer to Note 38 for certain reclassifications made.*

a) The insurance claim represents insurance proceeds income relating to damaged property, plant and equipment items due to the unplanned shutdown of the Company's plants, during 2021, as a result of a technical failure.

Other operating expenses can be broken down as:

	2022	*2021*
Impairment on property, plant and equipment	**-**	(48,389)
Loss on disposal of property, plant and equipment	**(10,964)**	(633)
VAT on home ownership program	**(2,035)**	(12,543)
Other	**(7,339)**	(23,470)
	(20,338)	(85,035)

(All amounts in Saudi Riyals '000 unless otherwise stated)

25 ZAKAT

Charge for the year

Zakat charge for the year consists of the following:

	2022	*2021*
Provided during the year	**141,247**	167,576
Zakat adjustment relating to previous years	**-**	29,826
	141,247	197,402

The current year's provision was calculated based on the following zakat base:

	2022	*2021*
Equity	**13,802,102**	15,110,544
Non-current liabilities and other adjustments	**1,025,573**	1,153,060
Non-current assets and other deductions	**(10,006,863)**	(10,790,036)
	4,820,812	5,473,568
Zakatable income for the year	**679,280**	1,640,853
Estimated zakat base	**5,500,092**	7,114,421

The differences between the financial and the zakat results are due to certain adjustments which are not allowed in the calculation of zakatable income.

Movement in provision

The movement in the zakat provision during the year is as follows:

	2022	*2021*
At beginning of the year	**203,708**	136,461
Provided during the year	**141,247**	197,402
Paid during the year	**(157,076)**	(130,155)
At the end of the year	**187,879**	203,708

Status of assessments

The Company has filed its zakat returns with the ZATCA and received the zakat certificates up to 31 December 2021. The Company has settled the zakat dues and cleared its zakat assessments with ZATCA up to the year ended 31 December 2015.

During 2020, the Company received assessment for the years 2016 to 2018 claiming additional zakat aggregating to SR 91 million due to certain additions to zakat base made by ZATCA. Subsequently, the Company received revised assessments from ZATCA amounting to SR 84.6 million on 21 April 2022. The Company has filed an appeal against the total amount of assessment for such years and the management believes that the appeal outcome will be in the Company's favour.

During 2021, the Company received assessment from ZATCA for the years 2019 and 2020 claiming additional zakat aggregating to SR 8.5 million. The Company has paid 25% of the additional zakat as required by the zakat by-laws and has filed an appeal against the total amount of assessment for these years. The management believes that the appeal outcome will be in the Company's favour.

26 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings for the period attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	2022	*2021*
Net income for the year (SR '000)	**414,145**	1,531,299
Weighted average number of ordinary shares ('000)	**562,500**	562,500
Earnings per share (Saudi Riyals) – Basic and diluted	**0.74**	2.72

There are no instruments that have diluted the weighted average number of ordinary shares.

(All amounts in Saudi Riyals '000 unless otherwise stated)

27 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management. Following is the list of related party transactions and balances of the Company:

Related party	*Nature of transactions*	*Amount of transactions*		*Balance as at 31 December*	
		2022	*2021*	***2022***	*2021*
a) *Amounts due from related parties*					
Saudi Basic Industries Corporation (SABIC) – (Parent)	Sale of products	**7,017,636**	7,407,725	**1,865,646**	2,280,590
	Advances for purchase of materials, product sales and other transactions	**394,833**	233,951	**116,722**	106,733
	Long term advance for logistics	**-**	-	**7,500**	7,500
Arabian Industrial Fibers Company (IBN RUSHD) (a related party)	Propane Tolling Agreement	**6,414**	91,548	**30,540**	-
	Operation and maintenance services by the Company (Note (d))	**150,981**	274,631	**228,869**	180,506
Other related parties	Exchange of products and others	**161,070**	138,806	**8,795**	36,955
				2,258,072*	2,612,284*
b) *Amounts due to related parties*					
Saudi Basic Industries Corporation (SABIC) – (Parent)	Payments on behalf of the Company	**4,289,299**	3,358,624	**460,436**	442,664
	Research and technology cost	**140,077**	148,154	**33,482**	85,547
Saudi Aramco (Ultimate Parent) and its subsidiaries (from 16 June 2021)	Procurement of feedstock and others	**5,040,755**	2,866,716	**555,645**	634,737
Arabian Industrial Fibers Company (IBN RUSHD) (a related party)	Propane Tolling Agreement	**-**	-	**6,079**	44,486
Other related parties	Storage services and others	**573,076**	104,683	**30,570**	22,700
Board of directors	Remuneration	**1,400**	1,400	-	-
				1,086,212**	1,230,134**

* other assets and receivables (non-current, current) (Note 10) and included in trade receivables, (Note 12)
**included in trade payables (Note 18) and accruals and other current liabilities (Note 19)

(All amounts in Saudi Riyals ‘000 unless otherwise stated)

27 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management compensation

Compensation for key management is as follows:

	2022	*2021*
Salaries and other benefits – short term	**9,763**	6,921
Post-employment benefits – long term	**2,672**	2,876
	12,435	9,797

The amounts disclosed in the above table are the amounts recognised as an expense during the year related to key management personnel.

Significant transactions with related parties were as follows:

a) The Company has a service level agreement with SABIC (Shared Services Organization – SSO) for the provision of accounting, warehousing, human resources, information technology (ERP/SAP), transporting and arranging for delivery of materials related to the Company's spare parts, engineering, procurement and related services and other general services to the Company. The Company has also logistic service agreement with SABIC.

b) Research and technology cost of 2% of the Company’s sales is charged by SABIC and expensed in the period in which it is incurred. This is in accordance with an agreement approved by the Company’s Board of Directors.

c) Advances to SABIC represent the amount paid by the Company according to shared service agreement to finance the purchase of the Company’s materials and services.

d) The majority of Company's products are sold to SABIC ("the Marketer") under marketing and off-take agreements.

e) During 2021, the Company entered into an operation and maintenance agreement with Arabian Industrial Fibers Company (IBN RUSHD), a related party. As per the agreement, the Company will coordinate, execute, and manage all aspects of the related party’s operations and maintenance in compliance with mutually approved procedures including plants, import and export facilities, and all shared facilities and utilities.

f) The Company has a supply agreement with ARAMCO for the purchase of its feedstock, at mutually agreed prices.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at agreed terms. Outstanding balances as at 31 December 2022 and 2021 are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2022 and 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related parties and the market in which the related party operates.

(All amounts in Saudi Riyals '000 unless otherwise stated)

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has formed the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Financial instruments principally include cash and cash equivalents, short-term investments, trade receivables, other receivables, trade payable, lease liabilities and other liabilities.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company is exposed to credit risk from its operating activities from bank balances, short-term investments and trade receivables.

Cash and cash equivalents and short-term investments

	2022	*2021*
Short term investments and bank balances		
Counterparties with external credit ratings (Moody's)		
A1	**1,006,290**	529,551
A2	**1,193,400**	402,200
A3	**1,200,500**	1,671,400
Baa1	**270,600**	897,250
Baa3	**-**	347,400
	3,670,790	3,847,801

Trade receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Company trades only with recognised, credit worthy third parties or related parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive credit rating scorecard.

(All amounts in Saudi Riyals ‘000 unless otherwise stated)

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Trade receivables (continued)
The Company sells its main products to SABIC only. At 31 December 2022, its balance accounts for 92.6% of outstanding trade receivables balance (2021: 97.1%). Trade receivables are non-interest bearing and are generally on 30 – 120 days terms. As at 31 December 2022, all trade receivables are fully recoverable and considered unimpaired by the management.

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company’s standard collection and delivery terms and conditions are offered. The Company’s review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Company’s benchmark creditworthiness may transact with the Company only on a prepayment basis.

For trade receivables other than those subsequently measured at FVIS, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Outstanding trade receivables are regularly monitored. The credit risk exposure of the Company on trade receivables is insignificant due to no historical credit loss exposure of the Company.

Other receivables
Other receivables are also subject to impairment requirements of IFRS 9. Since they are considered to have low credit risk, therefore, are subject to 12 months ECL model for impairment assessment.

Guarantees
The Company monitors its risk to a shortage of funds using forecasting models to model impacts of operational activities on overall liquidity availability. The Company’s objective is to maintain a balance between continuity of funding and flexibility.

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company’s performance to developments affecting a particular industry. Management believes that the concentration of credit risk is mitigated as majority receivable balance is due from a reputed related party customer and the receivables are recoverable as per the contractual arrangement.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below summarises the maturity profile of the Company’s financial liabilities based on contractual undiscounted payments:

	2022			
	Within 1 year	*Between 1-5 years*	*More than 5 years*	*Total*
Trade payables	**593,047**	-	-	**593,047**
Lease liabilities	**19,615**	**74,518**	**111,333**	**205,466**
Accruals and other current liabilities	**744,099**	-	-	**744,099**
	1,356,761	**74,518**	**111,333**	**1,542,612**

(All amounts in Saudi Riyals '000 unless otherwise stated)

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Liquidity risk (continued)

	2021			
	Within 1 year	*Between 1-5 years*	*More than 5 years*	*Total*
Trade payables	205,350	-	-	205,350
Lease liabilities	31,309	90,822	62,985	185,116
Accruals and other current liabilities	1,354,317	-	-	1,354,317
	1,590,976	90,822	62,985	1,744,783

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Market risk comprises three types of risk: currency risk, interest rate risk and commodity risk.

Currency risk
The Company is exposed to currency risk on purchases that are denominated in a currency other than the functional currency of the Company, primarily the Euro (EUR). The currencies in which these transactions primarily are denominated are EUR, USD, British Pounds, AED, BHD and Japanese Yen. Since Saudi Riyal is pegged to USD, therefore, there is no such currency risk for USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The following table demonstrates the sensitivity of the Company to a reasonably possible change in the Saudi Riyals - EUR exchange rate, with all other variables held constant, of the Company's monetary assets and liabilities entered into for the year ended 31 December:

	Gain (loss) through statement of income	
	2022	*2021*
	EURO +/- 5 %	EURO +/- 5 %
Increase in exchange rate Euro/SR	**4,265**	3,424

(All amounts in Saudi Riyals '000 unless otherwise stated)

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Exposure to foreign currency risk was as follows:

	2022				
	EUR	**GBP**	**JPY**	**AED**	**BHD**
Trade payables	**(9,583)**	**(470)**	**(69)**	**-**	**(258)**

	2021				
	EUR	GBP	JPY	AED	BHD
Trade payables	(16,148)	(299)	(955)	(18)	-

Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company is subject to interest rate risk on its interest bearing assets. The management manages the Company's interest rate risks by monitoring changes in interest rates in the currencies in which its interest bearing assets are denominated.

Commodity risk
The Company is exposed to the impact of market fluctuations of the price of various inputs to production including naphtha, benzene, natural gas and electricity. From time to time, the Company manages some elements of commodity price risk through the use of fixed price contracts.

Financial assets and financial liabilities

The financial assets and financial liabilities are carried at amortised cost. Trade receivables related to contracts with provisional pricing arrangements are subsequently measured at FVIS. The Company does not have any financial asset (except for trade receivables other than those subsequently measured at FVIS) or financial liability carried at fair value through income statement or fair value through OCI. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets.

Financial assets as per statement of financial position	***2022***	*2021*
Financial assets at fair value through income statement		
Trade receivables	**2,015,004**	2,349,284
Financial assets at amortised cost		
Trade receivables	**658**	338
Other non-current assets (excluding home ownership prepayment)	**85,635**	123,078
Other current assets (excluding prepaid expenses, home ownership prepayment and VAT)	**13,728**	37,923
Short-term investments	**3,438,300**	3,518,450
Cash and cash equivalents	**232,490**	329,351
	5,785,815	6,358,424

Financial liability as per statement of financial position	***2022***	*2021*
Lease liabilities	**147,834**	146,247
Trade payables	**593,047**	205,350
Accruals and other current liabilities	**744,099**	1,354,317
	1,484,980	1,705,914

(All amounts in Saudi Riyals '000 unless otherwise stated)

29 CAPITAL MANAGEMENT

Capital is equity attributable to the equity holders of the Company. The primary objective to the Company's capital management is to support its business and maximise shareholder value.

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages its capital structure and makes adjustments to it, in light of change in economic conditions. The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to shareholders. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

The Company's debt to adjusted capital ratio is as follows:

	2022	*2021*
Total liabilities	**2,628,738**	3,118,519
Less: Cash and cash equivalents	**(232,490)**	(329,351)
Net debt	**2,396,248**	2,789,168
Total equity	**14,050,853**	15,042,391
(Less) add: Amount directly accumulated in equity relating to actuarial valuation adjustments	**(198,904)**	82,913
Adjusted capital	**13,851,949**	15,125,304
Debt to adjusted capital ratio	**17.3%**	18%

30 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(All amounts in Saudi Riyals '000 unless otherwise stated)

30 FAIR VALUE MEASUREMENT (continued)

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers among the levels during the year.

The management assessed that the fair value of cash and cash equivalents, short-term investments, trade and other receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair values of the non-current financial instruments are estimated to approximate their carrying values as these are determined through cash flows discounted using interest rates which are based on prevailing market interest rates.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The fair value is determined using prevailing market rates at the reporting date. The following table presents the Company's assets and liabilities measured and recognized at fair value at 31 December 2022 and 31 December 2021, based on the prescribed fair value measurement hierarchy on a recurring basis. The Company did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at 31 December 2022 and 31 December 2021.

Fair value of trade receivables related to contracts with provisional pricing arrangements is disclosed below.

	Fair value – Level 3	Fair value – Level 3
	2022	2021
Trade receivables related to contracts with provisional pricing arrangements	**2,015,004**	2,349,284

31 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities:

	1 January 2022	***Additions***	***Cash flows***	***Others***	***31 December 2022***
Lease liabilities (Note 8)	**146,247**	**27,901**	**(23,949)**	**(2,365)**	**147,834**
Dividends payable (Note 19)	**17,833**	**-**	**(1,684,374)**	**1,687,500**	**20,959**
Total liabilities from financing activities	**164,080**	**27,901**	**(1,708,323)**	**1,685,135**	**168,793**

	1 January 2021	*Additions*	*Cash flows*	*Others*	*31 December 2021*
Lease liabilities (Note 8)	146,448	29,860	(23,584)	(6,477)	146,247
Dividends payable (Note 19)	15,338	-	(1,544,380)	1,546,875	17,833
Total liabilities from financing activities	161,786	29,860	(1,567,964)	1,540,398	164,080

The 'Other' column includes the effect of remeasurement / disposal of lease liabilities and dividend declared and accrued during the year that were not yet paid at the year-end. The Company classifies interest paid as cash flows from operating activities.

32 SEGMENT INFORMATION

The Company's President and Board of Directors monitor the results of the Company's operations for the purpose of making decisions about resource allocation and performance assessment. They are collectively the chief operating decision makers ("CODM") for the Company. The CODM review the results of the Company as a whole, as they believe that decision making cannot be done effectively in isolation for single products of the Company due to complex nature of the business, integrated facility where multiple products including downstream product movement are simultaneous and the nature of the products market. Hence, the whole Company is treated as a single operating segment, the results and financial position of which has been presented already.

The key evaluation criteria for segment performance is the net income and this is evaluated and measured consistently throughout the accounting period. The non-current assets of the Company are based in KSA and petrochemical product sales by the Company are made primarily to Parent Company (SABIC) which is also based in Kingdom of Saudi Arabia.

33 COMMITMENTS AND CONTINGENCIES

Commitments
As at 31 December 2022, the Company has commitments of SR 608 million (2021: SR 406 million) relating to capital expenditures.

Guarantees
The Company's bankers have issued, on its behalf, bank guarantees amounting to SR 13.2 million in the normal course of business as at 31 December 2022 (2021: SR 11 million).

34 APPROPRIATION OF NET INCOME

On 30 March 2021, the General Assembly approved a distribution of cash dividend amounting to SR 703.13 million (SR 1.25 per share) for the second half of the year 2020 which represents 12.5% of the nominal value of the shares.

On 17 June 2021, the Board of Directors approved a distribution of cash dividend amounting to SR 843.75 million as cash dividend (SR 1.50 per share) for the first half of the year 2021 which represents 15% of the nominal value of the shares.

On 23 March 2022, the General Assembly approved a distribution of cash dividend amounting to SR 843.75 million (SR 1.50 per share) for the second half of the year 2021 which represents 15% of the nominal value of the shares.

On 5 June 2022, the Board of Directors approved a distribution of cash dividend amounting to SR 843.75 million as cash dividend (SR 1.50 per share) for the first half of the year 2022 which represents 15% of the nominal value of the shares.

On 25 December 2022, the Board of Directors proposed a distribution of cash dividend amounting to SR 703.13 million (at SR 1.25 per share) for the second half of the year 2022 which represents 12.5% of the nominal value of the shares. The proposed dividend is subject to approval of the shareholders in the Annual General Assembly meeting which is expected in March 2023. The total dividend for the year ended 31 December 2022 would be SR 1,546.88 million (SR 2.75 per share).

35 IMPACT OF COVID-19

In response to the spread of the COVID-19 in Gulf Cooperation Council ('GCC') and other regions where the Company operates and its resulting potential disruptions to the social and economic activities in those markets, management proactively assessed its impacts on its operations and took a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Further, management has implemented active prevention programs at its sites and contingency plans in order to minimize the impact of risks related to COVID-19 and to safeguard the continuity of its business operations.

Based on the current assessment, no significant adjustments were required in the financial statements for the year ended 31 December 2022.

36 CONFLICT IN UKRAINE

The Russian-Ukrainian conflict started in February 2022 resulting in a steep increase of crude oil and natural gas prices and at the same time affecting share prices at stock exchanges. The course of events required a reassessment of certain accounting estimates, assumptions and judgements of the Company’s exposure on impairment risks. No significant operational costs were recognised in these financial statements, directly associated with the Russian-Ukrainian conflict. Management will keep monitoring the situation and further developments.

Based on the current assessment, no significant adjustments were required in the financial statements for the year ended 31 December 2022.

37 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since the year ended 31 December 2022, which would have a material impact on the financial position of the Company as reflected in these financial statements.

(All amounts in Saudi Riyals '000 unless otherwise stated)

38 COMPARATIVE FIGURES

During 2022, management of the Company reassessed the presentation of certain transactions and balances and concluded that certain reclassifications are required to comply with the requirements of IFRSs endorsed in KSA. Accordingly, management has restated the comparative 2021 financial statements as summarized below. The reclassifications had no impact on the net income and retained earnings.

	Previously reported	*Reclassification*	*Reclassified amount*
Statement of income			
For the year ended 31 December 2021			
Revenue (i)	7,407,725	91,548	7,499,273
Gross profit	2,154,320	91,548	2,245,868
Other operating income (expenses), net (i)	83,564	(91,548)	(7,984)
Statement of financial position			
As at 31 December 2021			
Cash and cash equivalents (ii)	276,418	52,933	329,351
Total current assets	7,613,672	52,933	7,666,605
Total assets	18,107,977	52,933	18,160,910
Employee benefits (ii)	1,155,964	(47,713)	1,108,251
Total non-current liabilities	1,280,207	(47,713)	1,232,494
Employee benefits – current portion (ii)	-	100,646	100,646
Total current liabilities	1,785,379	100,646	1,886,025
Total liabilities	3,065,586	52,933	3,118,519
Total equity and liabilities	18,107,977	52,933	18,160,910
As at 1 January 2021			
Cash and cash equivalents (ii)	19,758	45,569	65,327
Total current assets	5,938,074	45,569	5,983,643
Total assets	17,339,758	45,569	17,385,327
Employee benefits (ii)	887,758	(31,404)	856,354
Total non-current liabilities	1,014,911	(31,404)	983,507
Employee benefits – current portion (ii)	-	76,973	76,973
Total current liabilities	1,339,390	76,973	1,416,363
Total liabilities	2,354,301	45,569	2,399,870
Total equity and liabilities	17,339,758	45,569	17,385,327
Statement of cashflows			
For the year ended 31 December 2021			
Provision for employee benefits (ii)	91,824	14,777	106,601
Employee benefits paid (ii)	(17,621)	(7,413)	(25,034)
Net cash from operating activities	2,632,264	7,364	2,639,628
(Decrease) / increase in cash and cash equivalents (ii)	256,660	7,364	264,024
Cash and cash equivalents at the beginning of the year (ii)	19,758	45,569	65,327
Cash and cash equivalents at the end of the year (ii)	276,418	52,933	329,351

i) Tolling income was previously included in 'Other operating income (expenses), net'. Tolling income has been reclassified to 'Revenue' as such transactions are in the scope of IFRS 15 'Revenue from contracts with customers'.

ii) Certain cash balances were previously netted with employee benefits as such cash balances were previously treated as plan assets, however, these do not meet the definition of plan assets under IAS 19 'Employee benefits'. Accordingly, management has reclassified the cash and related liability and presented it on a gross basis as current asset and current liability, respectively.

39 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 14 Rajab 1444H (corresponding to 5 February 2023).